

(916) 445-4588

September 23, 1981

Mr. Z :

Dear Mr. Z :

In your letter of September 2, 1981, you request our opinion as to whether or not the transfer of Great Western Savings and Loan Association from a state chartered stock association to a federal chartered stock association constitutes a change in ownership.

Generally under Proposition 13 there will be a reappraisal of property as of the date of a "change in ownership" of that property. A change in ownership occurs when there is a transfer of the right to beneficial use thereof, the value of which is substantially equal to the value of the fee interest. See, Rule 462(a)(2) of the Rules of the State Board of Equalization and Section 60 of the Revenue and Taxation Code. With certain exceptions, this broad definition of a change in ownership also applies to the transfer of properties to and by legal entities. See, Rule 462(j) and Section 61(i) of the Revenue and Taxation Code. One major exception related to transfers of real property between separate legal entities or by an individual to a legal entity which results solely in a change in the method of holding title and in which the proportionate ownership interests in the property remain the same after the transfer. See, Rule 462(j)(2)(B) and Section 62(a) of the Revenue and Taxation Code.

It appears that under both California and federal law the conversion of a state stock association into a federal stock association does not result in the discontinuance of the original association and the transfer of its assets to a new association. Instead, the original association is deemed to continue in existence with a new charter and name. This result is evidenced by Sections 9257 and 9258 of the California Financial Code.

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Similarly, under federal law (Section 5(i) of the Homeowners' Loan Act of 1933, 12 U.S.C. Section 1464(i)), it is contemplated that the original association will continue after its conversion to a federal association.

The procedural requirements in the above noted provision for conversion are similar to those required under the National Banking Act, 12 U.S.C. Section 35, for the conversion of a state bank into a national bank.

In addition, it has long been settled that the conversion of a state bank to a national bank does not terminate the existence of a state bank but simply effects a continuation of the same body under a changed jurisdiction. Metropolitan National Bank v. Claggett, 141 U.S. 520 (1891); Michigan Insurance Bank v. Eldred, 143 U.S. 293 (1892).

The foregoing principle seems equally applicable to conversion under 12 U.S.C. Section 1464(i). Such a conversion does not terminate the existence of GWS but simply effects a continuation of the same body under a federal jurisdiction.

Thus, in our opinion, both federal and California law make it clear that the conversion of a state chartered stock association into a federally chartered savings and loan does not result in a transfer of assets or the discontinuance of the original savings and loan. Accordingly, the proposed conversion would not constitute a change in ownership under Proposition 13.

Even if we assume that the proposed conversion does constitute a transfer of the underlying property of GWS for purposes of Proposition 13, this transfer would be exempt from the change of ownership rules pursuant to Rule 462(j)(2)(B) and Section 62(a) of the Revenue and Taxation Code which exempts from the definition of a change in ownership transfers of property between legal entities which result solely in a change in the method of holding title and where the proportionate ownership interests in the property remain the same after the transfer. Even if we assume that the proposed conversion results in a transfer of the property from a state chartered institution to a federally chartered association, such a change would merely be a change in the method of holding title and the proportionate ownership interests of GWF would remain the same.

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Thus, the transfer would be excluded from the definition of change in ownership.

Very truly yours,

Glenn L. Rigby  
Assistant Chief Counsel

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